

Message Text

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ACTION EB-11

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SUBJ: IRANIAN INVESTMENT CLIMATE AND STATISTICS

REF: A) STATE 53993 B) TEHRAN A-58 OF MARCH 31, 1973

1. STATEMENT ON IRANIAN INVESTMENT CLIMATE REQUESTED REF A FOLLOWS. ONLY MINOR CHANGES MADE SINCE LAST YEAR'S SUBMISSION (REF B).

2. IRAN: THE INVESTMENT CLIMATE IN IRAN REMAINS BASICALLY FAVORABLE. THOUGH THE RATE OF INFLATION IS AT LEAST 15 PERCENT, WITH RECENT INCREASES IN THE EXPORT PRICE OF OIL, THE ECONOMY IS EXPECTED TO GROW AT AN ANNUAL RATE EXCEEDING 20 PERCENT IN REAL TERMS.

3. THE GOVERNMENT SEEKS TO ATTRACT FOREIGN INVESTMENT PARTICULARLY IN HIGH-TECHNOLOGY, EXPORT-ORIENTED, AND JOB-CREATING ENTERPRISES. BASIC REGULATIONS ARE SPELLED OUT IN THE 1955 LAW FOR THE ATTRACTION AND PROTECTION OF FOREIGN INVESTMENT AND PERTINENT SECTIONS OF THE 1931 COMMERCIAL CODE (WITH THE EXCEPTION OF PETROLEUM INVESTMENT WHICH IS SUBJECT TO SPECIAL GOVERNMENT APPROVAL AND CONTROL). IRAN CURRENTLY IS ESPECIALLY INTERESTED IN OBTAINING FOREIGN INVESTMENT AND TECHNOLOGY

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FOR DEVELOPMENT OF PETROCHEMICALS, EXPORT-ORIENTED OIL REFINING,

AGRO- BUSINESS, THE STEEL INDUSTRY, AND MINERALS EXPLOATION AND EXPLOITATION AND FOR DEVELOPMENT OF INTERNAL TRANSPORTATION AND PORT FACILITIES AND IMPROVEMENT OF EDUCATIONAL AND MEDICAL FACILITIES.

4. THE COUNCIL OF MINISTERS APPROVES NEW FOREIGN INVESTMENT OR EXPANSION OF AN EXISTING FACILITY UPON RECOMMENDATION OF THE MINISTRY OF ECONOMY. SUBSEQUENT REGULATION OF COMMERCIAL ENTERPRISES IS CONDUCTED BY THE MINISTRIES OF ECONOMY AND FINANCE AND THE CENTRAL BANK.

5. AS A GENERAL RULE, FOREIGN INVESTMENT MUST BE IN JOINT VENTURES WITH THE IRANIAN PARTNERS HOLDING MAJORITY INTEREST. EXCEPTIONS MAY BE MADE IF THE NEW INVESTMENT WILL PRODUCE SUBSTANTIAL EXPORTS, INTRODUCE NEEDED TECHNOLOGY, AND/OR LOCATE IN UNDERDEVELOPED AREAS. THE GOVERNMENT'S LONG-TERM OBJECTIVE, HOWEVER, IS DIVESTMENT OF FOREIGN EQUITY AND MANAGEMENT CONTROL. FOREIGN INVESTMENT GUARANTEES ARE REGULARLY APPROVED.

6. FOREIGN INVESTORS MAY BE GRANTED DUTY FREE IMPORT OF EQUIPMENT AND RAW MATERIALS. UNDER RECENTLY LIBERALIZED FOREIGN EXCHANGE REGULATIONS, THERE REMAIN ONLY MINOR RESTRICTIONS ON FREEDOM TO CONVERT AND REMIT EARNINGS AND CAPITAL. SOME PROTECTION IS PROVIDED TO INFANT INDUSTRIES BY RESTRICTING COMPETING IMPORTS. GOVERNMENT PROCUREMENT MUST BY LAW FAVOR LOCAL MANUFACTURERS, PROVIDED SUPPLIES ARE ADEQUATE AND QUALITY ACCEPTABLE.

7. THERE IS A LARGE AND GROWING NUMBER OF FOREIGN TECHNICAL AND MANAGERIAL PERSONNEL IN IRAN. NON-IRANIANS USUALLY ARE ALLOWED TO ENTER AND WORK WITHOUT RESTRICTION UNLESS SUFFICIENT LOCAL TALENT IS AVAILABLE. WORK PERMITS AND RESIDENCE VISAS FOR FOREIGNERS ARE REVIEWED PERIODICALLY BY THE GOVERNMENT.

8. THERE IS NO LEGISLATION PENDING TO IMPOSE NEW RESTRICTIONS ON FOREIGN INVESTORS. HOWEVER, A MINING CODE AND LEGISLATION TO ESTABLISH AN ENVIRONMENTAL PROTECTION AGENCY ARE BEFORE PARLIAMENT.

9. (A) U.S. DIRECT INVESTMENT IN IRAN AT END OF 1972 IS ESTIMATED UNCLASSIFIED

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AT ABOUT DOL\$570 MILLION, OF WHICH ABOUT DOL\$469 MILLION WAS IN THE OIL INDUSTRY. ONLY ABOUT DOL\$500,000 WAS IN MINING. ABOUT DOL\$97 MILLION WAS IN MANUFACTURING (INCLUDING DOL\$34 MILLION IN PETROCHEMICALS AND DOL\$5.5 MILLION IN OIL REFINING AND DRILLING). NON-OIL INVESTMENT HAS RISEN CONSIDERABLY SINCE 1972 BUT TOTAL U.S. INVESTMENT IN IRAN HAS DECLINED BECAUSE OF NATIONAL IRANIAN OIL COMPANY'S (NIOC) PURCHASE OF FOREIGN PARTICIPATION IN OIL CONSORTIUM.

(B) THOUGH NO ACCURATE FIGURES EXIST, TOTAL FOREIGN INVESTMENT IN IRAN ESTIMATED AT ABOUT DOLS1.2 BILLION AT END OF 1972. AFTER U.S., THREE LARGEST INVESTORS BELIEVED TO HAVE BEEN BRITISH AT ABOUT DOLS365 MILLION, NETHERLANDS DOLS125 MILLION, AND FRANCE DOLS60 MILLION. WITH NIOC PURCHASE OF CONSORTIUM, HOWEVER, POSITION HAS CHANGED DRAMATICALLY. LARGEST FOREIGN INVESTOR AFTER U.S. PROBABLY IS GERMANY, FOLLOWED BY JAPAN AND U.K.

(C) AS NOTED IN PREVIOUS REPORT (REF B), THERE IS NO DATA OR INFORMED ESTIMATE OF IRANIAN INVESTMENT IN THE U.S., BUT APPRECIABLE AMOUNTS ARE KNOWN TO BE INVESTED IN REAL ESTATE, MUTUAL FUNDS, AND OTHER STOCKS.
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